

Unit 2 Review

Name _____

Period _____

Definitions – please use your own words

Principle –

Dividend –

Interest –

Credit Union –

Withdraw –

Deposit –

Balance –

Overdraft –

Federal Reserve Bank –

Fractional Reserve Banking –

Bank Draft –

Direct Deposit –

Acronyms (You need to define them and say what they stand for)

ATM –

PIN –

FDIC –

CD –

1. Is a savings account considered high risk or low risk? High interest or low interest? High access or low access?
2. What are the differences between a savings account and a checking account?
3. What is a money market account? Why would you use it?
4. If you invest \$500 for one year at an interest rate of 3%, how much interest will you earn?
5. How much interest is earned on a principal of \$700 invested at an interest rate of 5% for three years?
6. Jody puts \$350 in his savings account. He lets it sit for nine years at an interest rate of 4%. What will be the total in his savings account after those nine years?
7. In how many years will \$1000 yield an interest of \$150 at a 4% interest rate?
8. At what interest rate will \$3000 yield \$500 in 3 years?

9. Shawn deposits \$4000 into his savings account. The bank pays 1% interest on the account. Angelina takes out a loan \$4000 at 8% interest. If the life of the loan is 5 years, how much does the bank make?

10. The bank pays 1.5% interest on all of their savings account. Royce takes out a loan of \$7000 at 6.5% interest. If the life of the loan is 4 years, how much does the bank make?

11. What is the maximum amount of money that the FDIC will insure in a single account?

12. List 2 cons of keeping your money at a bank.

13. What is a credit union? What are the benefits of a credit union?

14. When writing a check, what does "Pay to the order of" mean?

15. What is the purpose of the memo line on a check?

16. Where can you find your account number and routing number on a check? Why do you use them?

17. Keith has \$2500 in his checking account at the start of the month. He deposits \$250 and he withdraws \$400. What is the total in Keith's checking account at the end of the month?

18. Tara has \$500 in her checking account at the start of the month. She withdraws \$120 and she deposits \$230. What is the balance in Tara's checking account at the end of the month?

19. Why can balances on an ATM receipt be misleading?

20. By law, what fraction of money do banks have to physically possess compared to the value of the accounts for Fractional Reserve Banking?

21. What role does the Federal Reserve Bank have in the US economy?

22. What are the three types of security? Give two examples of each.

23. List 3 security features of US paper currency.

24. List 3 services, other than loans and savings accounts, that banks provide.

25. Describe a situation where you would want to use a money order or cashier's check instead of personal check.